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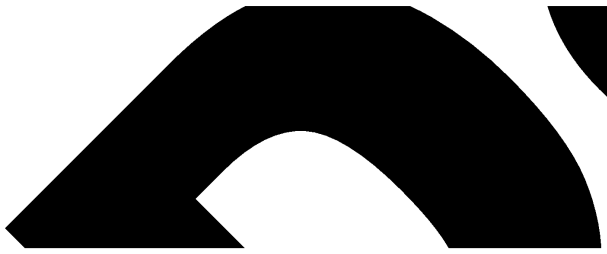

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Secret

DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

Current Developments in Chinese Communist Agriculture

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August 1968

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
August 1968

INTELLIGENCE MEMORANDUM

Current Developments in Chinese Communist Agriculture

Summary

Current developments in Communist China's agriculture strongly indicate that the 1968 grain harvest will be less -- perhaps substantially less - than the excellent crop of 1967. Floods in widespread areas of southern and central China are worsening the prospects for the harvest of early rice and are delaying the sowing and cultivation of autumn grains.

The Cultural Revolution is continuing to erode the authority and morale of rural cadres and to impede the supply of chemical fertilizers, insecticides, irrigation pumps, and other inputs to agriculture. The cumulative impact of the Revolution is yet to be felt on the agricultural procurement and distribution system because the bumper 1967 crop relaxed the pressure on the system.

Contracts for the delivery of grain thus far in 1968 are running about 15 percent below the level of 1967. Purchases for future delivery are surprisingly light in view of the favorable market price for wheat and the anticipated decline in grain output in 1968. The regime may be awaiting the final outcome of the midyear harvest and the early indications of fall harvest prospects before negotiating additional contracts.

Note: This memorandum was produced solely by CIA. It was prepared by the Office of Economic Research.

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Although shortages of subsidiary foods and a deterioration in the quality of the grain ration are apparent in widespread urban areas, basic nutritional standards have held up. The loss of discipline in rural areas is permitting peasants to increase private cultivation and marketing in spite of the regime's orders against the extension of private activity. Thus additional supplies of subsidiary foods in many local areas may be partially offsetting the reduction in the availability of major grains.

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Heavy Rainfall and Flooding

1. Exceptionally heavy rainfall and flooding over much of Central and South China is dimming the prospects for the early grain harvest.* The damaging rainfall began during the last 10 days of May. Precipitation in this period was more than 350 percent of normal over small areas along the Kwangtung coast. Damage was apparently confined to the western portion of the Canton Delta. Refugees from Kai-ping, En-p'ing, and Nan-hai hsiens in Kwangtung reported serious crop losses -- for example, "the great flood in our area destroyed grain crops as they were budding and the crop failure will be serious."

2. A second period of exceptionally heavy rainfall occurred during the last 20 days of June. As shown on the map, rainfall activity was intense over a broad area of South and Central China. Precipitation was more than 200 percent of normal during the second 10 days of June and 400 to 600 percent of normal during the last 10 days of the month. The rivers draining the area swelled rapidly, flooding the adjacent low-lying fields and threatening the dikes downstream. Conditions were especially serious on the Hsiang Chiang and Kan Rivers flowing north and emptying into the Yangtze River and on the Kwei, Hsi, Tung, and Han Rivers flowing southward into Kwangtung Province.

3. Accurate meteorological data are not available for July, but data from the official press and other sources confirm the occurrence of serious flooding all through the month. The Huai-pei Plain in Anhwei and Kiangsu provinces -- which had experienced precipitation of 400 percent to 800 percent of normal in the last 10 days of June -- was added to the areas

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* *The early grain harvest consists, in roughly equal portions, of winter grains (winter wheat, barley, beans, peas, and sweet potatoes) and early rice.*

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suffering from flood. Editorials on 18, 20, and 21 July reported that "the suddenness of the flood is unparalleled in recent years," that "some areas were disaster stricken," and that "all possible ways and means to insure the safety of the north Huai main dike" were being used.

4. Because of hilly terrain in Kwangtung, damage to crops has been largely from flash floods; only in the Swatow area are there important losses in the early rice crop. Similarly, a combination of hilly terrain and apparently successful emergency work on the dikes is preventing extensive damage in the Yangtze area. In contrast, the Huai-pei area is poorly drained farmland that is prone to flooding and waterlogging. Here the main damage is to the planting and cultivation of corn, kaoliang, millet, and soybeans to be harvested in the fall. Damage to other fall-harvested crops -- intermediate and late rice, tubers, and miscellaneous grains -- cannot be determined at this time.

Adverse Effects of the Cultural Revolution

5. Chinese crop prospects are further endangered by the unfavorable effects of the Cultural Revolution on agriculture. These problems were admitted by Premier Chou En-lai in a 2 February 1968 speech in which he stated that "this spring inadequate preparations were made for sowing, which must be properly pushed. This year, the situation with regard to water conservation and fertilizer is worse than that of last year, and additional stimulation is required." In spite of Chou's warning, disruptions in farm operations and reductions in the supply of new machinery, chemical fertilizer, and pesticides continue. These difficulties will compound the effects of unfavorable weather on the 1968 harvests.

Farming Operations

6. References to disruptions affecting farming operations in China are much more numerous now than in 1967. Editorials and reports confirm that in many provinces farming activities such as water conservation work, manure collection, and field preparation are behind schedule because of peasant and

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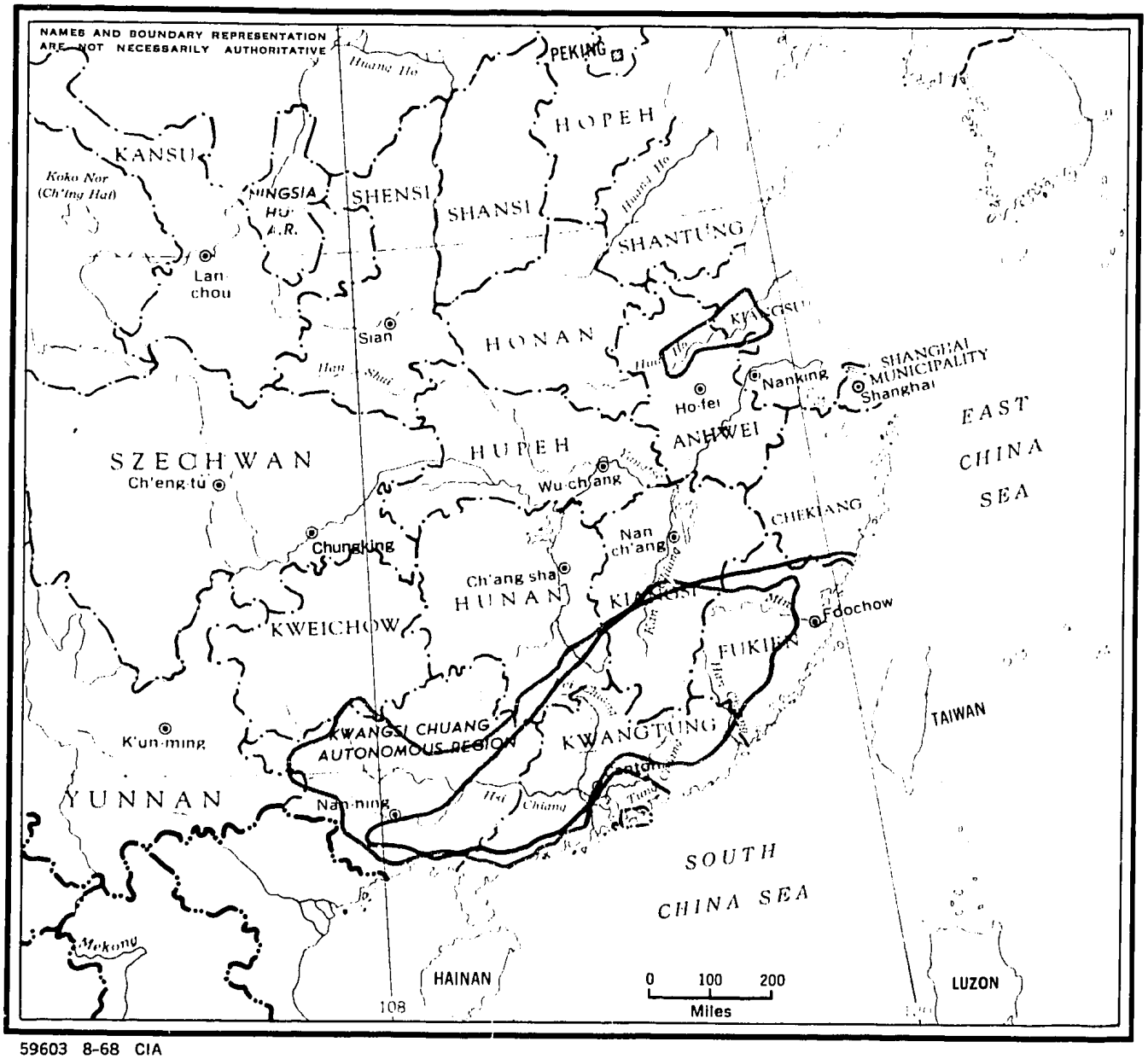
COMMUNIST CHINA

Areas of Heavy Rainfall and Flooding, Mid 1968



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Area of heavy rainfall during June 11-20

Area of heavy rainfall during June 21-30

Rivers with flooding or dangerously high crests

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cadre apathy. A recent editorial from Canton states:

> ...some plans have slackened later-stage field management of early rice, preparations for the summer harvest have not been made well enough, and upsurges in the preparation for late-season farming have not yet been started. Insufficient manure has been collected, the speed of sowing is comparatively slow, and plans for late-season planting have not yet been translated into concrete measures at the production team level.

7. Political unrest and administrative disorganization are still slowing up water conservation projects that require large numbers of laborers, cadre discipline, and peasant cooperation. The cadres are uncertain as to where they stand politically, are showing little initiative, and are still being chided in the press for "holding back."

Fertilizer and Insecticides

8. The Cultural Revolution continues to hamper the supply of chemical fertilizer to China's agricultural sector. Domestic production remains considerably below potential, and delays in the shipment and use of fertilizer are common. Fertilizer imports in 1968 are scheduled to be a record 6.9 million tons, an increase of 1.4 million tons above 1967. However, because of delays in concluding contracts, the bulk of these imports will not reach the farms in time to aid the 1968 crops. Shortages of insecticides continue: a typical report, from Kiangsu Province in mid-July, spoke of insufficient insecticides to fight a plague of cotton leaf worms.

9. The regime is repeating its advice to peasants to use self-reliance in meeting these shortages. An editorial from Kwangtung Province in mid-June urged that peasants "grasp firmly the collection of manure, utterly eliminate the idea of relying on chemical fertilizer, go in for native and miscellaneous manures in a big way." Nevertheless, numerous reports from individual farmers

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continue to blame fertilizer shortages for decreases in crop yields.

Grain Procurement and Food Supplies

10. The disruptive effects of the Cultural Revolution on grain procurement and food distribution is a major factor contributing to the subsidiary food shortages and the deterioration in the quality of diet which are occurring in many urban areas. Food supplies are normally tight during the late winter and spring period prior to the first harvest of the year. In past years, major cities usually received preferential treatment, in that a uniform flow of "fine grain" -- wheat and rice -- was maintained and the ration remained stable. This year, however, fine grain rations have been reduced in many urban areas, and the less popular coarse grains -- corn, millet, kaoliang, and sweet potatoes -- have been substituted. For example, corn flour has been substituted for rice and wheat in rations in Peking and Tsingtao, and wheat flour has replaced rice in the ration in Shanghai, Fuchow, and Amoy. Shortages of subsidiary foods such as pork, poultry, and vegetables have also been reported in many urban and rural areas. Basic nutritional standards, however, appear to have been maintained.

11. The regime's concern over continued procurement difficulties is reflected in editorials during June and July. For example, a 21 June broadcast from Kiangsu Province referred to class enemies and their plots to "disrupt the procurement and distribution of summer grain." Similar editorials have also appeared recently in Shantung, Chekiang, and Heilungkiang provinces.

12. A poor fall harvest combined with further impairment of administrative controls over grain procurement and distribution could cause severe dislocations in food supplies throughout the country. If this were to happen, the Chinese population during the coming winter and spring would face further deterioration in the quality of the diet and possibly debilitating reductions in the quantity of food available. The regime could be expected to meet such a situation by increasing imports of Free World grain.

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Grain Imports

13. The regime seems relatively unconcerned at the moment over its agricultural prospects. Contracts thus far for the delivery of grain in calendar 1968 total 3.6 million tons, or some 600,000 tons below the level of 1967 (see the table).

Communist China: Retained Imports of Grain in 1967 and Contracts for Delivery in 1968, by Country of Origin

	Thousand Tons	
Country of Origin	1967	1968 a/
Canada	1,000	2,000
Australia	3,000	1,000
Argentina	100	0
France	0	600
Other	100	0
Total	*4,200*	*3,600*

a. Preliminary.

Rumors of negotiations with France for the purchase of an additional 1.5 million tons of grain have yet to be confirmed. Further, there are no indications of current Chinese negotiations with any of the other major grain exporters.

14. The present lack of Chinese interest in grain imports -- in spite of a favorable world wheat supply -- may be attributed to one or both of the following reasons: (a) The regime may be awaiting a final assessment of the early grain harvest and firmer indications of the outcome of the fall harvest, which accounts for approximately 70 percent of the total grain harvest; preliminary assessments of the fall harvest will not be available to the authorities until early September. (b) The

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regime's estimates of import requirements may have been obscured by the administrative confusion generated by the Cultural Revolution. In any case, unless the regime chooses to cut rations in urban areas, grain import requirements probably will be larger during the winter and spring of 1968-69 than in 1967-68.

Private Activity

15. During the Cultural Revolution the official press has been castigating local officials who have a "bourgeois attitude" in favor of private plots and private markets. This propaganda, however, is carefully directed against the *extension* of private activity, and officials have been told not to interfere with existing private plots or private holdings of livestock.

16. Nonetheless, private activity in the Chinese countryside has been increasing since the Cultural Revolution intensified in early 1966. The crippling of Party and government organizations at the county level and above, together with the apathy of cadres at lower levels, has loosened the controls over the peasants. Fewer hours are being applied to collective land and to large-scale irrigation and reclamation projects. This, together with illegal diversion of chemical fertilizer, manure, and other inputs to the private plots, almost certainly is leading to substantial increases in the output of subsidiary foods. The increased availability of these foodstuffs will partially offset local shortages of grain.

17. Black market activity in rice and other foodstuffs is also increasing. This activity, coupled with a reported 50-percent rise in the official off-ration price of rice, suggests that the regime is having difficulty in procuring normal quantities of staple foods. Grain normally procured and placed on the off-ration market by the government is being retained in the countryside and is becoming available through black market channels.

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